



HB 592 – Property Tax Assessments for Improvements on Agricultural Land
Ways & Means Committee - 2/21/23

SUPPORT

Recently, there has been a discrepancy in the tax assessment rate used to assess certain value-added agricultural improvements with the agricultural use assessment. The State Department of Assessments and Taxation (“SDAT”) has been inconsistently assessing agricultural improvements at a commercial rate. This is prohibitively burdensome to those impacted landowners; further, contemporaneous economic situations have put landowners in a position where they can least afford to comply with this significant tax increase.

SDAT should be required to assess value added agricultural improvements as agricultural property, not commercial. HB0592 / SB0418 requires the State Department of Assessments and Taxation (“SDAT”) to assess certain value-added agricultural improvements with the agricultural use assessment rate. Nationwide, at least fourteen states also have explicitly adopted similar provisions – including the neighboring Bay state of New York.

Value-added agriculture and agritourism have become invaluable ways for many farmers to stay afloat, increasing this tax rate will result in detrimental cost increases. SDAT’s position is tantamount to imposing a new tax on Maryland farmers who are operating on razor-thin margins prior to the global pandemic. Proceeding with this position will only reduce the number of Maryland farmers and open space in Maryland.

Agriculture faces a myriad of challenges already: climate change, labor shortages, supply chain disruptions, inflation, lost revenue from COVID closures and capacity reductions – higher taxes stemming from an arbitrary decision should not be another problem that our farmers face.

Critical in this legislation is the focus on agriculture – these improvements are tied to ingredients or crops that are grown or produced on the farm and are subsequently converted into a product related to activity on the farm. Also prominent in this legislation are certain minor agritourism activities that so many Marylanders participate in and love that are critical to the sustainability and viability of agriculture, such as hayrides, corn mazes, pumpkin patches, pick your own produce and so on.

Passage of this legislation will help to foster important growth in Maryland's agricultural community and value-added agriculture field; this is exceptionally important to encourage landowners to engage with UMD's fermentation science major.

This legislation does not change local zoning. These activities and improvements are only permitted if they are on agricultural-zoned land, and if local zoning permits these activities on agriculture zoned land. If local zoning does not permit large venues or other activities – that will still not be permissible under this bill.

Finally, this legislation is absolutely necessary to correct harm incorrectly inflicted on many agricultural entities already – therefore a refund in taxes is included for those entities that have been incorrectly reclassified.

Thank you for your consideration and we urge you to vote in favor of this legislation.